

REIS COUNCIL PROSPECTUS

As Approved by the REIS Board on March 27, 2008

Standards Project Name: Chapter 3: Performance Measurement and Reporting Standards – Update for Fund, Investment and Property Performance Measures

Date: March 27, 2008

1. Description and Purpose of the Project

The mission of the Performance Measurement Task Force (PTF) is to provide additional Performance Measurement and Reporting Standards and guidance in order to address performance reporting at three levels: Portfolio (Fund and Separate Accounts), Investment and Property. REIS does not contain this information and there is not a source for this information readily available for our Industry. Accordingly, the PTF has been established: 1) to identify and address minimum standards for Portfolio returns and metrics including reporting and disclosure requirements; 2) to provide additional information and guidance from which firms can determine if a firm's classification of portfolios as discretionary or non-discretionary is consistent with the GIPS definition of discretion and the overall objectives of GIPS; and 3) to provide guidance with respect to investment and property returns and metrics.

2. Background and Project Definition

On March 27, 2008 the REIS Council and Board issued an Adopting Release to modify Chapter 3. The principal reason for modifying Chapter 3 was to conform to the Global Investment Performance Standards (GIPS). GIPS is the foundational standard within REIS for performance measurement. The most recent version of GIPS was issued in 2005. A principal objective for the development of GIPS was to provide a fair, consistent and comparable presentation of the performance of a firm in order to assess how well the firm executed its investment strategy. GIPS was developed for marketing purposes and addresses how a firm should present its performance to potential clients. GIPS only addresses performance reporting for discretionary portfolios and excludes performance related to nondiscretionary portfolios. In order to align with the spirit of GIPS and be all inclusive, Chapter 3 addresses both discretionary and non-discretionary performance information. Chapter 3 does not, however, provide guidelines for determining discretion. Members of the REIS Board felt such information would be useful because the buy/sell decisions which help to assess whether firms have discretion in other classes are not so straightforward within real estate. This guidance will also foster an increased alliance with GIPS.

Chapter 3 stipulates the input data, calculation methodology, composite construction and disclosures required when a firm presents performance measures. Chapter 3 does

not address performance measures which could be useful for Portfolio performance analytics and attribution analyses and does not address different level of performance information, such as property level. Respondents to the exposure draft for Chapter 3 affirmed the Performance Measurement Committee's desire to incorporate such notions into REIS. One mission of REIS is to provide alternative guidance when foundational standards are silent or subject to interpretation.

It is likely that the Portfolio performance presentation standard will include analytics and disclosures which are useful to the fund's investors. The PTF expects to model this information after GIPS composite construction and disclosure requirements. It is anticipated that the GIPS model will be modified in order to address the information needs of existing investors as compared to those required by GIPS for marketing a firm's strategy to potential investors.

The proposed REIS Chapter 4, Fund Reporting Standards establishes a series of required and recommended elements which are to be included in the periodic fund report submitted to investors. Chapter 4 distinguishes measures which are appropriate for all fund as well as measures which are appropriate solely for open-end funds or closed-end funds. In addition, the information contained in Chapter 4 addresses performance information which can be verifiable by independent means and is a significant step towards compliance and verifiability within REIS.

The proposed additional Performance Measurement standards and guidance will complement Chapter 4 by providing detailed information for various performance measures which can be used in open and/or closed-end fund reports as well as for attribution analysis. Such measures may include, but are not limited to: distinguishing property level, investment level and fund level TWR and the appropriateness of each; partial period returns; distributed income returns; cash on cash and cash on fair value, working capital, and IRR.

3. Proposed Composition of the Performance Measurement Task Force

The PTF will consist of the following members:

Chair:

Maritza Matlosz	Performance	Blackrock
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Other Participants:

Stephanie Brower	Performance	Russell
Brant Brown	Performance	INVESCO Real Estate
Chris Clayton	Performance	UBS
Sara Geiger	Plan Sponsor	Fla. State Bd.of Admin.
John Griffith	Performance	Hancock Timber
Neil Myer	Index Policy	Townsend
Denise Stake	Portfolio Mgmt.	Cornerstone Advisers

In addition to members listed above, an open line of communication will be established between the PTF and the CFA Institute. The PTF is reaching out

periodically to several members of the CFA Institute including Karyn Vincent, Chair of the Interpretations Committee, so that they can review the work of the PTF, provide insights and ensure that we remain aligned with GIPS.

Staff

Marybeth Kronenwetter

4. Costs/Benefits

NCREIF is not expected to incur incremental costs associated with this project. The PTF will review published NCREIF performance measurement white papers and other materials as input to the standards it will propose.

There are many benefits associated with this project. Most specifically, REIS will contain guidance for measures of performance which are not currently available within our industry.

5. Projected Timetable for Completion

Work will begin upon REIS Council and tentative REIS Board approvals of this prospectus. It is expected that this project will be completed in phases. The Portfolio level standards, which will include composite presentations and disclosures as well as appropriate measures for open and closed-end funds are expected to be completed during the summer and early fall of 2008 with an exposure draft made available for public comment during quarter 4, 2008. Critical dates are as follows:

- March 15, 2008 Final Identification of Task Force participants
- March 27, 2008 Prospectus Approval
- April 1- June 18 Task Force Work
- June 19, 2008 Update: Findings and Tentative Conclusions Presented at NCREIF Conference
- Jun. 23 – July 31 Task Force work and Exposure Draft Writing
- August 1, 2008 Presentation of Exposure Draft to REIS Council
- August 15, 2008 REIS Council Approval of Exposure Draft
- August 26, 2008 REIS Board Approval of Exposure Draft
- September 1, 2008 Exposure Draft public comment period begins
- Sep. 1 to Oct. 30, 2008 Public Comment Period
- December 15, 2008 Adopting Release

Additional phases of the project will focus on providing guidance for investment and property level performance measures. Changes in Task Force participants and projected timetables for completion of these phases will be included as addendums to this prospectus.